

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7772

BILL NUMBER: HB 1525

NOTE PREPARED: Jan 12, 2007

BILL AMENDED:

SUBJECT: Mortgage Loans.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Education Courses:* The bill prohibits the Housing and Community Development Authority or a mortgage lender from authorizing, approving, or making a mortgage loan that is financed from funding through the authority to a first-time home buyer unless the home buyer has completed eight hours of home ownership education.

At-Risk Home Purchasers: The bill also requires the creditor that holds a home loan secured by a mortgage on the home of an at-risk home purchaser: (1) during the first year of the home loan, to collect, as an additional amount with each monthly payment, an amount sufficient to pay what the at-risk home purchaser will owe for property taxes and private mortgage insurance during the second year of the home loan, and to put that amount in an escrow account; and (2) during the second year of the home loan, to pay what the at-risk home purchaser owes for property taxes and private mortgage insurance from the escrow account.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The Department of Financial Institutions may incur a minimal increase in cost to adopt temporary guidelines or a final rule defining "poor credit rating". The Department should be able to implement these provisions given its existing level of budget and resources.

Background on the Department of Financial Institutions: On November 7, 2006, the DFI had 2 vacant positions with a total salary of \$107,800. The Department of Financial Institutions was appropriated \$7.4 M in dedicated funds for FY 2007.

The Housing and Community Development Authority may incur administrative costs for escrow accounts

on loans to at-risk home buyers for property taxes and private mortgage insurance costs for the second year of a loan during the first year of the loan. These costs are expected to be within the current resources of the Authority.

Background on the Indiana Housing and Community Development Authority: The Authority is a quasi-governmental agency administered by the Lieutenant Governor's Office. The Authority uses federal and state matching dollars along with local dollars to administer financial vehicles and incentives to create affordable housing for rent or purchase as well as supportive facilities.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Financial Institutions; Housing and Community Development Authority.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Karen Firestone, 317-234-2106.